

AB 2544 – FIREFIGHTER RETIREMENT BENEFITS

Assemblymember Fran Pavley

IN BRIEF

Ensures that retirees who have medical care coverage through the Public Employees' Medical and Hospital Care Act (PEMHCA) receive, within a period of not more than twenty calendar years, equal employer-paid health care contributions that active employees receive.

THE ISSUE

Current and future retirees are adversely affected by the existing provisions of Government Code §22892 because the inflation of health care premium costs guarantees that retirees will never see employer-paid contributions in an amount equal to employer-paid contributions for active employees.

Because there is nothing in existing law to safeguard against escalating, uncapped health benefit costs, it is impossible for retirees to reach 100% of the employer-paid contribution that is afforded active employees in a 20-year period. Subsequently, affected retirees are forced to make up any difference that exists between what an employer pays on their behalf and what the employer pays on an active employee's behalf. Given that most retirees are living on fixed retirement incomes, the value of a retiree's pension dollar continues to significantly deflate.

EXISTING LAW

California's public agencies may elect to participate in the CalPERS-sponsored health care program, also known as the Public Employees' Medical and Hospital Care Act (PEMHCA), for the purpose of providing their employees and retirees medical care coverage. By electing to participate in PEMHCA, public agencies are

required to provide a health care contribution for their retirees that is equal to the contribution they provide for their active employees. In doing so, these agencies may establish a lesser monthly employer-paid contribution for their retirees than for their active employees.

The establishment of the aforementioned lesser contribution amount is allowed when the monthly employer-paid retiree contribution is annually increased by an amount that is not less than five percent of the monthly employer-paid active employee contribution, until such time as the employer-paid contribution for retirees equals the employer-paid contribution for active employees.

In practice, however, because health care premium rates historically increase at a rate that far exceeds five percent per year, the lesser contribution amount paid by PEMHCA contracting employers ultimately never results in an employer-paid contribution for retirees that equals the employer-paid contribution for active employees.

THE SOLUTION

AB 2544 would ensure that PEMHCA participating employers are indeed able to contribute equally on behalf of their active and retired employees within a 20-year period, as intended, for their health care coverage.

SUPPORT

CA Professional Firefighters (Sponsor)
California State Firefighters Association, Inc.
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FOR MORE INFORMATION

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